

FARS Retirement Analysis

Business Case

April 24, 2001

IT Investment Management Process



Objective

Assess the on-going need for the FARS system and its functions in response to the implementation of FMS Phase III

- FMS has been selected as SFA's financial management system
- Beginning in August 2001, FMS will become the sub accounting ledger for Loan Servicing, creating a duplication of functionality with FARS
- FARS operations and maintenance costs currently run at approximately \$5.5 million per year; retiring FARS will result in significant savings to SFA
- Phase 1 – Share in Savings Business Case Development
 - Analysis and requirements gathering and design for FARS Retirement
 - Document test plans and training requirements
 - Confirm baseline operational costs and outline implementation plan for FARS Retirement as a share in savings value based deal
- This task order will serve as seed money to craft a share in savings deal and is expected to be subsumed within that task order at the completion of this effort



FARS Retirement Analysis:

Current FARS Functionality

FARS performs the following 10 functions at an annual cost of approximately \$5.5 million

Process Financial
Transactions

Recon Bet
LO/LC & FMS

Lockbox/EDA
Recon w/Treasury

Interaction bet
FARS & FMSS

Recon Bet
Servicing & FMS

Refund
Processing

Deliverable
Reporting

Online/Manual
Transactions

MIS Reporting

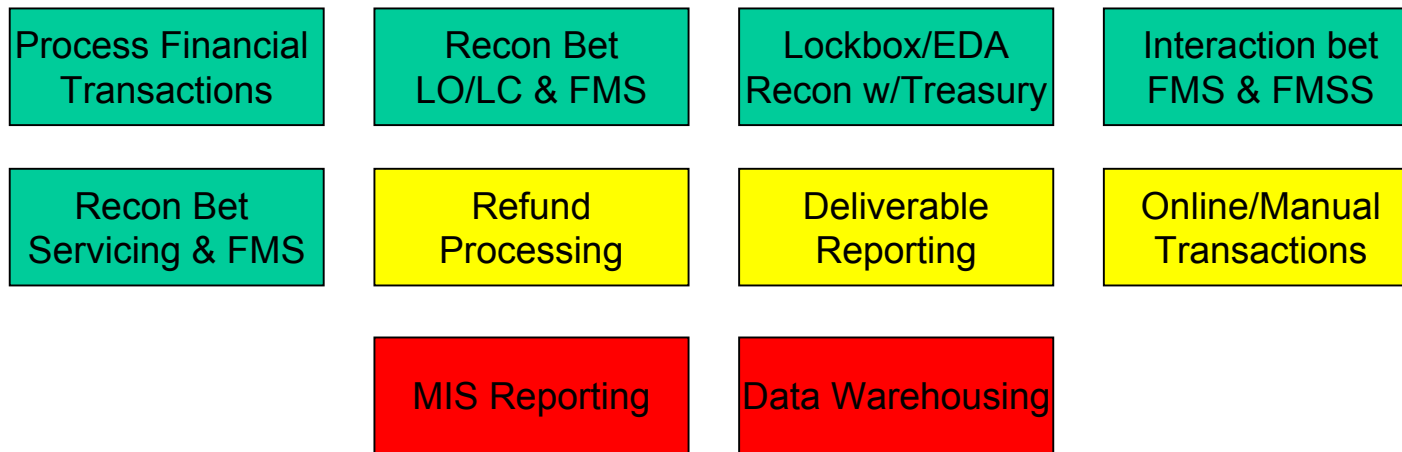
Data Warehousing






FARS Retirement Analysis:

FARS/FMS Transitional Overlap

Planned FMS Phase III functionality addresses 5 of the 10 functions, with 3 more partially covered. This initiative will ensure that all remaining required FARS functions will be handled in the target environment by February 2002.



Legend

-  Planned functionality within FMS
-  Planned functionality within FMS but may require enhancement
-  Enhancement required



FARS Retirement Analysis:

Cost & Savings Analysis

One of the primary objectives of this interim task order is to confirm baseline costs and anticipated savings in order to structure a share in savings deal.

Incremental Savings Opportunity						
	FY01	FY02	FY03	FY04	FY05	Total
Baseline						
Overall FARS Costs:	4.8-6.3M	4.9-6.4M	5.1-6.7M	5.2-6.9M	5.4-7.1M	25.4-33.4 M
• VDC Operating Costs:	1.0-1.5 M	1.0-1.5 M	1.1-1.6 M	1.1-1.6 M	1.1-1.7M	5.3-7.9 M
• System Maintenance	0.5-1.0M	0.5-1.0M	0.5-1.1M	0.5-1.1M	0.6-1.1M	2.6-5.3 M
• Operations (Personnel/Deliverables)	3.3-3.8M	3.4-3.9M	3.5-4.0M	3.6-4.2M	3.7-4.3M	17.5-20.2 M
Incremental and Ongoing Operational Costs						
Total Incremental Costs	\$(2.0-2.7M)	\$(2.8-3.3M)				(4.8-6.0 M)
Ongoing Operational Costs		2.4 - 3.2 M	1.7 - 2.3 M	1.7 - 2.5 M	1.8 - 2.6 M	\$7.6 - 10.6 M
• VDC Operating Costs		0.7 - 1.0 M	0.4 - 0.5 M	0.4 - 0.5 M	0.4 - 0.6 M	1.9 - 2.6 M
• System Maintenance		0.2 - 0.6 M	0.1 - 0.5 M	0.2 - 0.6 M	0.2 - 0.6 M	1.5 - 1.9 M
• Operations (Personnel/Deliverables)		1.5 - 1.6 M	1.2 - 1.3 M	1.1 - 1.4 M	1.2 - 1.4 M	9.1 - 10.8 M
Projected Savings						
Gross Savings		2.5 - 3.2 M	3.4 - 4.3 M	3.5 - 4.4 M	3.6 - 4.5 M	\$13.0 - 16.4 M
Net Incremental Savings	(2.0 - 2.7M)	(0.8M) - 0.4M	3.4 - 4.3 M	3.5 - 4.4 M	3.6 - 4.5 M	\$7.7 - 10.9 M
Total Requested: \$1 million						



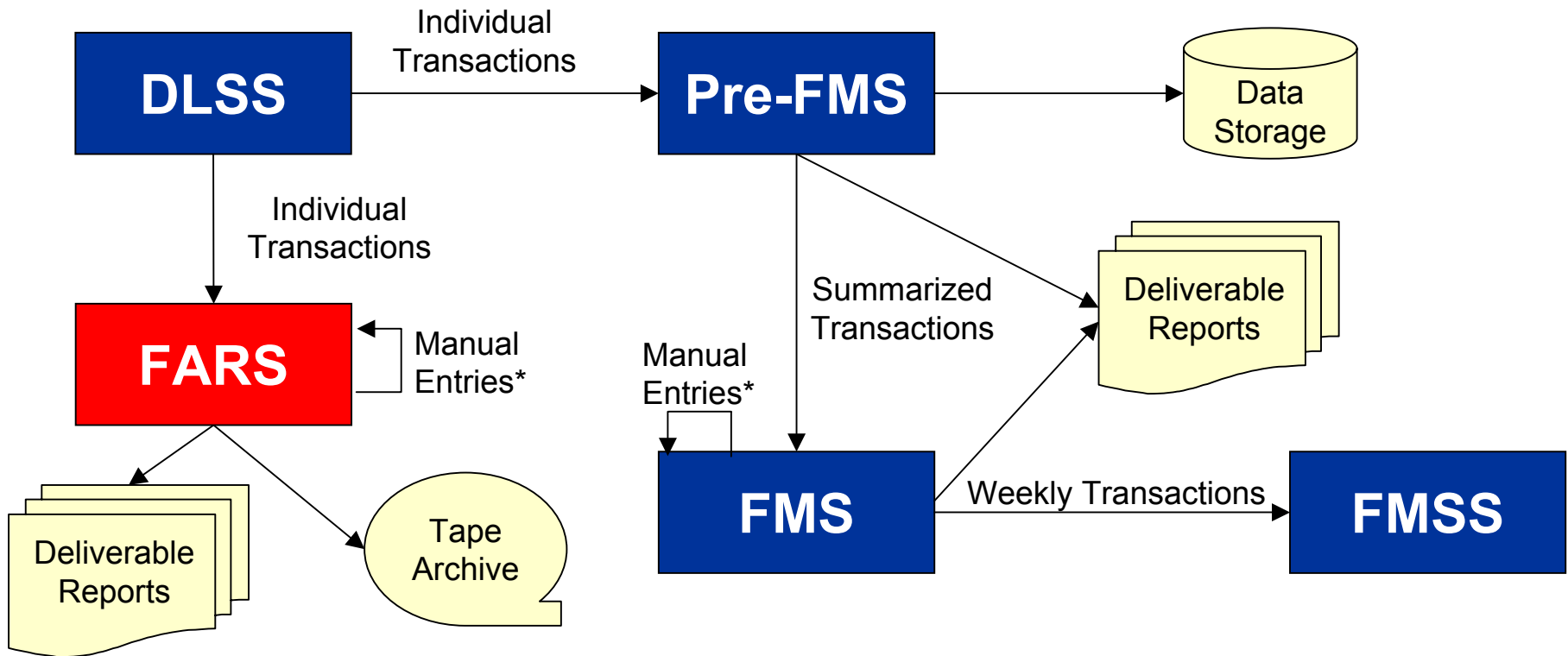
Benefits

- Provides substantial cost reduction
 - Projected net savings by FY05: **\$8 million - \$11 million**
 - Ongoing projected annual savings after FY05: **\$4+ million per year**
 - Leverages FMS initiative
- Improves customer service
 - Single source of financial data—eliminates need to access multiple systems
 - Promotes data integrity
- Increases employee satisfaction
 - Provides enhanced reporting capability
 - Reduces training requirements for new or transferred employees
- Supports SFA Modernization Blueprint and Target State Vision
- Tombstones Legacy system



Appendix: FARS/FMS Process

Process becomes effective when FMS assumes the Direct Loan Servicing accounting function



* Design of manual entries (refunds, deposit adjustments, etc.) to be finalized; current plan is to use existing FMS functions.



Appendix: Post-FARS Retirement Process

Streamline process by leveraging FMS, eliminating legacy system, while preserving required functionality

